

2005 Utah Statistics

Corporate Income Tax: Who pays the tax?

When we ask who pays the tax there are several ways of addressing the question. Is one interested in who sends in the check? Or who finally bears the cost of the tax? For example, in the sales tax the merchant sends in the tax, but it is generally assumed that the tax is born by the purchaser. In the corporate tax the corporation initially pays the tax; if not passed on it is the shareholders who bear the tax. However, as corporations react to the tax, some of the cost is passed to suppliers, consumers, or workers. The table below answers the question in terms of who sends in the check.

There is ambiguity regarding the composition and activity of a corporation. Often, a corporation is labeled an "out of state business," while some are called Utah corporations. This analysis will address this division according to how much of a corporation's business is done in Utah; it's economic presence, rather than it's area of incorporation or headquarter's location. However, this does not address the complex issue of ownership. Even if a corporation does a lot of business in a state, that does not mean it is owned by Utahns. Most significant corporations are owned by individuals, or groups of individuals, who are spread throughout the country, if not the world, and could be owned significantly by pension funds, insurance companies, churches, universities, or other entities. Unfortunately, tax administrative data cannot address the issue of ownership.

The table below reveals the share of tax paid by corporations classified according to their share of business in Utah. As the first column reveals, this is defined as the average share among the sales made, property owned, and wages paid within the state. Also reported is the number of corporations with a given intensity of economic activity in Utah, along with the aggregate share of tax paid by corporations falling within the relevant range. Finally, the last column cumulates the share of taxes paid by category.

Share of Business in Utah	Number of Businesses	Share of Taxes	Cumulative Share
0%	1,871	0.25%	0.25%
>00%, <=01%	4,210	30.44%	30.69%
>01%, <=05%	1,296	23.39%	54.07%
>05%, <=25%	744	12.73%	66.81%
>25%, <=50%	266	10.98%	77.79%
>50%, <=75%	247	7.39%	85.18%
>75%, <=95%	229	2.94%	88.13%
>95%, <99%	107	1.87%	89.99%
>=99%, <100%	149	3.06%	93.05%
100%	11,916	6.95%	100.00%
Total	21,035		